Mr. DIY (MRDIY MK)

Screwing Down Costs; Building Up Yield

BUY (Maintained)	
Share Price	RM1.66
Target Price	RM2.30
Upside	38.6%

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Highlights

- Recent SSSG appears to have stabilised, aided by price-lock traction and low base, while margins remain above last year.
- Forex tailwinds support margins, though the recent MYR/RMB weakness is only a consideration for 2027 earnings risk given Mr. DIY's five-month inventory levels.
- Maintain BUY with an unchanged target price of RM2.30. Mr. DIY offers a yield of 5.6-6.3% for 2026-28.

Analysis

- **Recent SSSG appears to be stabilising.** 2Q25's SSSG was a sharp -7.2% contraction. We gather that recent SSSG momentum over the past months appears broadly stable. Further, Apr 26 was seasonally distorted by Hari Raya in 2025 forming a high base effect but was balanced by May 26, benefitting from Hari Raja Haji. Meanwhile, the price-lock campaign, which commenced in May, saw a slow initial start before gaining traction in subsequent weeks. Management is still assessing whether the campaign can generate sufficient incremental sales to justify an extension beyond June.
- **Margins likely to normalise but still above last year.** 1Q26's gross margin improved to an all-time high of 48.6%. Margins are likely to see some near-term softness in 2Q, partly due to the price-lock campaign. However, it should remain well above the comparable 2Q25 gross margins of 47.7%. Combined with the broadly stable SSSG, we continue to expect 2Q26 earnings to largely track 1Q26's yoy earnings growth of 10.3%.
- **Supply chain risk contained while freight cost has normalised.** Supply chain pressures from the Middle East conflict appear manageable for Mr. DIY, underpinned by its China sourcing base, which accounts for around 70% of supplies and faces no meaningful shortages due to strong inventory buffers. While some local suppliers face fulfilment constraints from front-loaded orders, price hikes remain limited. Freight volatility was also temporary, with March rates rising 20-30% before normalising to around RM5,000 per container. Overall, supply risk looks contained, with limited margin disruption.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	4,651.4	4,954.0	5,463.7	5,872.9	6,233.2
EBITDA	1,165.0	1,281.9	1,518.2	1,627.1	1,693.4
Operating profit	835.5	921.8	1,052.2	1,136.9	1,183.9
Net profit (rep./act.)	572.6	632.7	723.9	787.9	823.3
Net profit (adj.)	572.6	632.7	723.9	787.9	823.3
EPS	6.1	6.7	7.7	8.4	8.7
PE	27.3	24.7	21.6	19.9	19.0
P/B	9.2	8.3	7.9	8.6	9.3
EV/EBITDA	14.3	13.6	12.4	10.5	9.9
Dividend yield	3.0	4.8	5.6	6.0	6.3
Net margin	12.3	12.8	13.2	13.4	13.2
Net debt/(cash) to equity	-7.1	-6.0	-2.4	2.3	6.6
Interest cover	9.7	11.1	11.4	12.5	13.2
ROE	30.1	31.5	35.8	43.2	49.3
Consensus net profit	n.a	n.a	693	747	793
UOBKH/Consensus (x)	n.a	n.a	1.04	1.05	1.04

Source: Mr. DIY, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	MRDIY MK
Shares issued (m)	9,477.5
Market cap (RMm)	15,733.2
Market cap (US$m)	3,791.9
3-mth avg daily t'over (US$m)	5.5

Price Performance (%)

52-week high/low				RM1.90/RM1.46
1mth	3mth	6mth	1yr	YTD
2.5	3.8	9.3	2.5	6.5

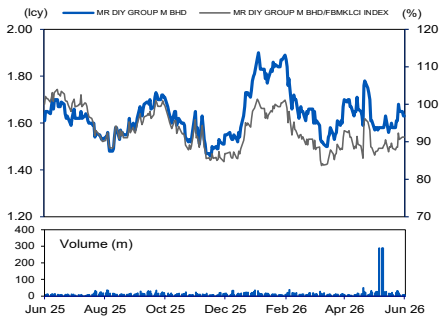
Major Shareholders

	%
Tan Yu Yeh	50.4
EPF	11.1

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.21
FY26 Net Cash/Share (RM)	0.01

Price Chart



Source: Bloomberg

Company Description

Homegrown Mr. DIY is the largest home improvement retailer in Malaysia, with more than 40% of the home improvement market share and growing. It also operates in Brunei and is involved in toy and dollar concept stores.

- **KKV may need further fine-tuning to sustain expansion.** Mr. DIY is targeting around 120 core store openings, plus about 25 KKV stores. However, we retain our forecast of 155 net new stores as Mr. DIY has historically overdelivered on its store expansion targets. In terms of KKV, it remains a drag, with its current 39-store base still EBITDA negative. Key issues appear to be lacklustre product-market fit, limited localisation and higher third-party logistics costs. While management views KKV as a new business still in its gestation phase, we opine that the expansion target may be difficult to sustain over the medium term.
- **Core format and East Malaysia still offer clearer growth visibility.** In contrast, the core Mr. DIY format continues to offer clearer growth levers, particularly through Plus stores, refurbishments and East Malaysia expansion. Management remains upbeat on the Plus format, with those stores, such as the ones located in MidValley, MyTown and IPC, performing well, while a new Plus store at The Mines is slated to open on 1 July. Separately, the refurbishment target has been raised from 100 to 192 stores, with refreshed outlets seeing a 5-10% sales uplift. East Malaysia remains especially compelling, with stores performing up to 2x normal levels due to less competition and underpenetration.
- **Steady expansion, conservative SSSG, strong yield.** Store count expansion remains the key growth driver, with average store count rising from 1,662 in 2026F to 1,934 by 2028F or a three-year CAGR of 8.7%. This is underpinned by relatively conservative SSSG assumptions, with revenue per store flat in 2026F and declining 1.0% p.a. in 2027-28F. This drives net profit growth of 14.4%/8.8%/4.5% in 2026-28F. Based on a 120% payout assumption (equivalent to its 2025 payout), Mr. DIY offers an attractive dividend yield of 5.6%/6.0%/6.3%.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM2.30.** Mr. DIY offers a three-year profit CAGR of 9.2%, which is relatively attractive for a large-cap retailer. Furthermore, it enjoys forex tailwinds, and against a backdrop of its valuation trading below its historical mean, we believe Mr. DIY's reward-to-risk payoff is still appealing. Our PE peg is 30x or based on its historical -0.5SD of its mean PE to 2026 earnings. It also offers an attractive dividend yield of 5.6-6.3% for 2026-28.

Earnings Revision/Risk

- No changes to earnings. Key downside risks are a sharp weakening of the ringgit against the renminbi, trade restrictions by China, and a sharp reversal in consumer sentiment.

Share Price Catalyst

- **Forex impact outlook.** Mr. DIY's record gross margins are largely owed to favourable forex. The ringgit had strengthened against the renmimbi and Mr. DIY does not hedge its purchases and approximately 70% of COGS is sourced from China. With an average five-month inventory lag and with the MYR/RMB peaking at 1.7720 in January (or +5.5% vs 2025 average: 1.6802), forex benefits should well be sustained for 2026. However, we point out that the recent ringgit weakness has seen the exchange rate dip to 1.6326 (or -2.8% vs 2025 average). We estimate that every 1% depreciation of the ringgit against the renminbi could lower 2027 earnings by approximately 2.2%. For now, we leave our forecasts unchanged, given the volatility in currency movements.

Key Assumptions

	2026F	2027F	2028F
Revenue (RMm)	5464	5873	6233
Growth yoy (%)	10.3%	7.5%	6.1%
Avg store count for the year	1662	1804	1934
Net store addition	155	130	130
Growth yoy (%)	10.3%	8.6%	7.2%
Revenue per store (in '000)	3288	3256	3223
Growth yoy (%)	0.0%	-1.0%	-1.0%

Source: UOB Kay Hian

PE Band

Source: Bloomberg, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- Energy management. Mr. DIY targets to increase renewable energy sources by 30% from base year 2021 for its warehouses.
- Emission. By 2030, Mr. DIY aims to reduce Scope 1 and 2 emissions by 20% and 30% respectively from base year 2021.

Social

- Diversity & inclusion. Among its workforce, 57% are male, while 43% are female. Mr. DIY also employs 26 less-abled and four Orang Asli employees.

Governance

- Board gender diversity. Male to female ratio of 4:2.
- Board balance and composition. Three board members are independent directors, equivalent to 50% of the board members.

Source: Mr. DIY, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	4954	5464	5873	6233
EBITDA	1282	1518	1627	1693
Deprec. & amort.	360	466	490	510
EBIT	922	1052	1137	1184
Total other non-operating income	41	45	48	51
Associate contributions	4	4	4	4
Net interest income/(expense)	-77	-85	-84	-84
Pre-tax profit	849	971	1057	1105
Tax	-216	-247	-269	-281
Minorities	1	2	3	4
Net profit	633	724	788	823
Net profit (adj.)	633	724	788	823

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	893	873	850	835
Other LT assets	1,462	1,812	1,949	2,100
Cash/ST investment	225	148	65	52
Other current assets	1,341	1,413	1,523	1,616
Total assets	3,921	4,246	4,388	4,602
ST debt	95	95	95	95
Other current liabilities	578	584	641	699
LT debt	9.841	9.841	9.841	59.841
Other LT liabilities	1,222	1,686	1,928	2,199
Shareholders' equity	2,017	1,872	1,714	1,550
Total liabilities & equity	3,921	4,246	4,388	4,602

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1331	1567	1676	1742
Pre-tax profit	849	971	1057	1105
Tax	-210	-247	-269	-281
Deprec. & amort.	360	466	490	510
Associates	-4	-4	-4	-4
Working capital changes	-143	-66	-90	-76
Other operating cashflows	478	447	492	490
Investing	-137	-124	-104	-104
Capex (growth)	-118	-124	-104	-104
Proceeds from sale of assets	1	2	3	4
Others	-19	0	0	0
Financing	-888	-1207	-1296	-1295
Dividend payments	-568	-869	-945	-988
Issue of shares	1	2	3	4
Proceeds from borrowings	0	0	0	0
Loan repayment	-168	0	0	50
Others/interest paid	-152	-340	-354	-361
Net cash inflow (outflow)	-47	-77	-83	-13
Beginning cash & cash equivalent	276	225	148	65
Changes due to forex impact	-4	0	0	0
Ending cash & cash equivalent	225	148	65	52

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.9	27.8	27.7	27.2
Pre-tax margin	17.1	17.8	18.0	17.7
Net margin	12.8	13.2	13.4	13.2
ROA	16.1	17.0	18.0	17.9
ROE	31.5	35.8	43.2	49.3
Growth				
Turnover	6.5	10.3	7.5	6.1
EBITDA	10.0	18.4	7.2	4.1
Pre-tax profit	10.7	14.4	8.8	4.5
Net profit	10.5	14.4	8.8	4.5
Net profit (adj.)	10.5	14.4	8.8	4.5
EPS	10.5	14.4	8.8	4.5
Leverage				
Debt to total capital	4.9	5.3	5.7	9.1
Debt to equity	5.2	5.6	6.1	10.0
Net debt/(cash) to equity	-6.0	-2.4	2.3	6.6
Interest cover	11.1	11.4	12.5	13.2

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